

FISCAL NOTE
SB 2
SECOND EXTRAORDINARY SESSION

November 2, 1999

SUMMARY OF BILL:

- 1) Provides that enactment of a motor vehicle privilege tax requires a majority vote of the county legislative body in at least two consecutive meetings rather than a two-thirds vote.
- 2) Removes provision prohibiting municipalities from taxing the privilege of driving a motor vehicle and empowers such municipalities to collect a motor vehicle privilege tax by enactment of an ordinance. Such a tax would be subject to the same requirements as the county motor vehicle tax.
- 3) Provides for the enactment of ad valorem taxes for state purposes. Provides for the rate to be fixed by the General Assembly in the appropriation bill and applied to the assessed values as determined for county and city levies. Requires the rate be adjusted in each county to reflect the level of assessments indicated by appraisal ratios established by the State Board of Equalization.
- 4) Provides for a maximum local option sales tax rate of 3% rather than 2.75%. Deletes provision requiring a public referendum to approve the levy of the local option sales tax or an increase in the tax rate.
- 5) Exempts tangible personal property of a spallation neutron source facility owned by the United States government or its instrumentality from the sales tax.
- 6) Specifies that the state or state entities shall not contract with any person or entity that has not registered with the Department of Revenue to collect and remit sales and use taxes.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - Less than \$100,000

Increase State Revenues - Exceeds \$700,000,000

Forgo State Revenues - Exceeds \$150,000

Increase Local Govt. Expenditures - Less than \$100,000

**Increase Local Govt. Revenues - Exceeds \$100,000,000 / Permissive
First Full Year***

Estimate assumes:

- Enactment of a state property tax at a rate of \$1.00 per \$100 of assessed value is estimated to generate \$736,800,000. The above estimate makes the assumption

that the rate fixed in the general appropriations act will be at least \$1.00 per \$100 of assessed value.

- Some municipalities statewide will enact a motor vehicle privilege tax of \$10 per registered vehicle generating over \$10,000,000. There are approximately 5.9 million registered vehicles in Tennessee and this estimate assumes in excess of 15% of the vehicles will be subject to a municipal motor vehicle privilege tax levy.
- One-half of local governments statewide will increase their local option sales tax by an average of .25% from their current rate generating revenue exceeding \$80,000,000 based on eligible sales of over \$30 billion.
- Local governments would collect the state property tax on behalf of the state, and local trustees would retain 2% of the revenues collected. Such amounts are estimated to exceed \$10,000,000.
- State and local governments would experience increased expenditures for the costs of reprogramming computer systems for tax billing. This increase is estimated to be less than \$100,000 for the state and local governments.
- Exemption of tangible personal property of a spallation neutron source facility will result in foregone state revenues exceeding \$150,000 the first year.

*Estimate recognizes that an increase in local sales taxes and enactment of municipal motor vehicle taxes would occur at various times in the future.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director